

CS FOR HOUSE BILL NO. 37(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered: 2/28/22

Referred: Finance

Sponsor(s): REPRESENTATIVE WOOL

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to deposits into the dividend fund; relating to income of and**
2 **appropriations from the earnings reserve account; relating to the taxation of income of**
3 **individuals, partners, shareholders in S corporations, trusts, and estates; relating to a**
4 **payment against the individual income tax from the permanent fund dividend**
5 **disbursement; repealing tax credits applied against the tax on individuals under the**
6 **Alaska Net Income Tax Act; and providing for an effective date."**

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 * **Section 1.** AS 37.05.565(a) is amended to read:

9 (a) There is established in the general fund the Alaska capital income fund
10 consisting of money **appropriated** [DEPOSITED TO THE FUND UNDER
11 AS 37.13.145(d) AND OF APPROPRIATIONS] to the fund. The fund shall be
12 invested by the Department of Revenue to yield competitive market rates as provided
13 in AS 37.10.071. Income earned on money in the fund may be appropriated to the

1 fund.

2 * **Sec. 2.** AS 37.13.010(a) is amended to read:

3 (a) Under art. IX, sec. 15, of the state constitution, there is established as a
4 separate fund the Alaska permanent fund. The Alaska permanent fund consists of

5 (1) 25 percent of all mineral lease rentals, royalties, royalty sale
6 proceeds, **bonuses**, net profit shares under AS 38.05.180(f) and (g), and federal
7 mineral revenue sharing payments received by the state [FROM MINERAL LEASES
8 ISSUED ON OR BEFORE DECEMBER 1, 1979, AND 25 PERCENT OF ALL
9 BONUSES RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED ON
10 OR BEFORE FEBRUARY 15, 1980;

11 (2) 50 PERCENT OF ALL MINERAL LEASE RENTALS,
12 ROYALTIES, ROYALTY SALE PROCEEDS, NET PROFIT SHARES UNDER
13 AS 38.05.180(f) AND (g), AND FEDERAL MINERAL REVENUE SHARING
14 PAYMENTS RECEIVED BY THE STATE FROM MINERAL LEASES ISSUED
15 AFTER DECEMBER 1, 1979, AND 50 PERCENT OF ALL BONUSES RECEIVED
16 BY THE STATE FROM MINERAL LEASES ISSUED AFTER FEBRUARY 15,
17 1980]; and

18 **(2)** [(3)] any other money appropriated to or otherwise allocated by
19 law or former law to the Alaska permanent fund.

20 * **Sec. 3.** AS 37.13.140(b) is amended to read:

21 (b) The corporation shall determine the amount available for appropriation
22 each year. The amount available for appropriation is five percent of the average
23 market value of the fund for the first five of the preceding six fiscal years, including
24 the fiscal year just ended, computed annually for each fiscal year in accordance with
25 generally accepted accounting principles. In this subsection, "average market value of
26 the fund" includes the balance of the earnings reserve account established under
27 AS 37.13.145. **The amount available for appropriation may not exceed the**
28 **balance in the earnings reserve account described in AS 37.13.145** [, BUT DOES
29 NOT INCLUDE THAT PORTION OF THE PRINCIPAL ATTRIBUTED TO THE
30 SETTLEMENT OF STATE V. AMERADA HESS, ET AL., 1JU-77-847 CIV.
31 (SUPERIOR COURT, FIRST JUDICIAL DISTRICT)].

1 * **Sec. 4.** AS 37.13.145(b) is amended to read:

2 (b) **Each** [AT THE END OF EACH] fiscal year, the **legislature may make**
 3 **the following appropriations** [CORPORATION SHALL TRANSFER] from the
 4 earnings reserve account:

5 **(1) an amount equal to 10 percent of the amount available for**
 6 **appropriation under AS 37.13.140(b)** to the dividend fund established under
 7 AS 43.23.045;

8 **(2) an amount equal to 90 percent of the amount available for**
 9 **appropriation under AS 37.13.140(b) to the general fund** [, 50 PERCENT OF THE
 10 INCOME AVAILABLE FOR DISTRIBUTION UNDER AS 37.13.140].

11 * **Sec. 5.** AS 37.13.145(c) is amended to read:

12 (c) After the **appropriations made** [TRANSFER] under (b) [AND AN
 13 APPROPRIATION UNDER (e)] of this section, the **legislature may appropriate**
 14 [CORPORATION SHALL TRANSFER] from the earnings reserve account to the
 15 principal of the fund an amount sufficient to offset the effect of inflation on the
 16 principal of the fund during that fiscal year. [HOWEVER, NONE OF THE AMOUNT
 17 TRANSFERRED SHALL BE APPLIED TO INCREASE THE VALUE OF THAT
 18 PORTION OF THE PRINCIPAL ATTRIBUTED TO THE SETTLEMENT OF
 19 STATE V. AMERADA HESS, ET AL., 1JU-77-847 CIV. (SUPERIOR COURT,
 20 FIRST JUDICIAL DISTRICT) ON JULY 1, 2004.] The corporation shall calculate
 21 the amount to **appropriate** [TRANSFER] to the principal under this subsection by

22 (1) computing the average of the monthly United States Consumer
 23 Price Index for all urban consumers for each of the two previous calendar years;

24 (2) computing the percentage change between the first and second
 25 calendar year average; and

26 (3) applying that rate to the value of the principal of the fund on the
 27 last day of the fiscal year just ended [, INCLUDING THAT PORTION OF THE
 28 PRINCIPAL ATTRIBUTED TO THE SETTLEMENT OF STATE V. AMERADA
 29 HESS, ET AL., 1JU-77-847 CIV. (SUPERIOR COURT, FIRST JUDICIAL
 30 DISTRICT)].

31 * **Sec. 6.** AS 37.13.150 is amended to read:

1 **Sec. 37.13.150. Corporation budget.** The revenue generated by the fund's
 2 investments must be identified as the source of the operating budget of the corporation
 3 in the state's operating budget under AS 37.07 (Executive Budget Act). The
 4 unexpended balance of the corporation's annual operating budget does not lapse at the
 5 end of the fiscal year but shall be treated as [INCOME AND] part of the market value
 6 of the fund under AS 37.13.140.

7 * **Sec. 7.** AS 37.13.300(c) is amended to read:

8 (c) Net income from the mental health trust fund may not be included in the
 9 computation of [NET INCOME OR] market value available for [DISTRIBUTION
 10 OR] appropriation under AS 37.13.140.

11 * **Sec. 8.** AS 43.05.045(a) is amended to read:

12 (a) **Except as provided in AS 43.22.075(h), or unless** [UNLESS] an
 13 exemption is granted under (b) of this section, a taxpayer required to submit a return
 14 or report for a tax levied under this title or for any other tax administered by the
 15 department shall submit the return or report electronically in a format prescribed by
 16 the department. Failure to comply with this section may result in a civil penalty under
 17 AS 43.05.220(f). If a law under this title requires a report or return or a portion of a
 18 report or return to be in writing, an electronically filed report or return satisfies this
 19 section. A taxpayer shall submit attachments to a report or return required under this
 20 title electronically.

21 * **Sec. 9.** AS 43 is amended by adding a new chapter to read:

22 **Chapter 22. Income Tax.**

23 **Sec. 43.22.010. Income tax on individuals.** (a) Each calendar year or fraction
 24 of a calendar year, an income tax is imposed on the income of a

25 (1) resident individual, trust, or estate;

26 (2) nonresident individual, trust, or estate that is derived from or
 27 connected with a source in the state.

28 (b) The tax under this section for an individual or individuals filing jointly is
 29 2.5 percent of taxable income.

30 (c) Two resident individuals who file a joint federal income tax return may
 31 determine the tax imposed by this chapter jointly under this section.

(d) Two individuals who file a joint federal income tax return both or one of whom is not a resident may elect to determine the tax imposed by this chapter either

(1) individually; or

(2) jointly as if both individuals were residents; the income of the individuals filing jointly under this paragraph is not subject to the calculation under AS 43.22.015.

Sec. 43.22.015. Calculation of tax on a nonresident individual. (a) Except as otherwise provided in (b) of this section, the tax on a nonresident individual is the product of

(1) the tax determined under AS 43.22.010(b) on the nonresident individual's taxable income computed as if the nonresident individual were a resident individual but taking a deduction under AS 43.22.030(b)(2); and

(2) a fraction, the

(A) numerator of which is the nonresident individual's income taxable under AS 43.22.045; and

(B) denominator of which is the nonresident individual's taxable income computed as if the nonresident individual were a resident individual.

(b) If a nonresident individual's taxable income computed under (a)(2)(B) of this section is less than the nonresident individual's income taxable under (a)(2)(A) of this section, the tax imposed by this chapter is on the nonresident individual's taxable income as computed under AS 43.22.045.

Sec. 43.22.020. Tax on trusts and estates. (a) A tax is imposed for each taxable year or portion of a taxable year on the taxable income of a resident or nonresident trust or estate. The tax under this section for a trust or estate is 2.5 percent of taxable income.

(b) In this section, the taxable income of a nonresident trust or estate is the income of the trust or estate that is derived from or connected with a source in the state.

(c) A trust is not subject to tax under this chapter if

(1) all of the trustees of the trust are nonresidents;

1 (2) the entire corpus of the trust, including real, tangible, and
 2 intangible property, is located outside the state; and

3 (3) no income or gains of the trust are derived from or connected with
 4 a source in the state.

5 (d) For purposes of (c)(1) of this section, a trustee that is a nonresident
 6 banking corporation at the time the banking corporation becomes a trustee is a
 7 nonresident trustee even if the banking corporation later becomes a resident trustee
 8 because it is acquired by or becomes an office or branch of a resident trustee.

9 (e) A trust that is exempt from federal income tax because of its purpose or
 10 activities is not subject to tax under this chapter.

11 (f) A special needs trust or other trust established to provide solely for the
 12 housing, living expenses, or medical care of a disabled beneficiary is not subject to tax
 13 under this chapter. In this subsection,

14 (1) "disabled beneficiary" means an individual who has

15 (A) a physical or mental impairment that substantially limits
 16 one or more major life activities; or

17 (B) a condition that may require the use of a prosthesis, special
 18 equipment for mobility, or a service animal;

19 (2) "special needs trust" has the meaning given in AS 13.36.215(b).

20 **Sec. 43.22.025. Credit for income taxes imposed by other jurisdictions.** (a)

21 A resident individual, trust, or estate or part-year resident individual, trust, or estate is
 22 allowed a credit against the tax due under this chapter for an income tax that was
 23 imposed on the resident or part-year resident for the taxable year by another state or
 24 the political subdivision of another state on income derived from or connected with
 25 that state or political subdivision.

26 (b) A credit allowed under (a) of this section

27 (1) for a resident individual, trust, or estate may not exceed the
 28 individual's, trust's, or estate's tax due under this chapter before credits are applied,
 29 multiplied by a fraction, the numerator of which is the portion of the individual's,
 30 trust's, or estate's taxable income that is derived from or connected with a source in
 31 another state or the political subdivision of another state and the denominator of which

1 is the resident individual's, trust's, or estate's taxable income;

2 (2) for a part-year resident individual, trust, or estate may not exceed
3 the individual's, trust's, or estate's tax due for the period of state residency before
4 credits are applied, multiplied by a fraction, the numerator of which is the individual's,
5 trust's, or estate's taxable income derived from or connected with a source in another
6 state or the political subdivision of another state during the period of state residency
7 and the denominator of which is the part-year resident individual's, trust's, or estate's
8 taxable income during the period of state residency;

9 (3) may not reduce the tax due under this chapter to less than the tax
10 that would have been due if the income derived from or connected with a source in
11 another state or the political subdivision of another state and subject to taxation by the
12 other state or political subdivision had been excluded from the resident or part-year
13 resident individual's, trust's, or estate's taxable income during the calculation of tax
14 under this chapter before the application of credits.

15 (c) If the tax administration of another state or a political subdivision of
16 another state determines that a taxpayer has overpaid tax, affecting the computation of
17 the credit allowed under this section for any taxable year, the taxpayer shall file an
18 amended return with the department not later than 90 days after the final determination
19 by the state or political subdivision that the tax was overpaid. The department may
20 assess a taxpayer additional tax, proportional to the amount overpaid in the other state
21 or political subdivision.

22 (d) A taxpayer is not allowed a credit under this section for taxes paid to
23 another jurisdiction if the taxpayer claims a credit against the income tax imposed by
24 the other jurisdiction for the tax payable under this chapter.

25 (e) Income tax imposed on a partner or the shareholder of an S corporation on
26 the income of the partnership or S corporation, including tax paid by the partnership or
27 S corporation to satisfy the tax liability of the partner or shareholder, may be included
28 in the calculation of a credit under this section. Tax imposed on the partnership or S
29 corporation that is the direct liability of the partnership or S corporation and not that of
30 the partner or shareholder may not be included in the calculation of a credit under this
31 section.

1 **Sec. 43.22.030. Taxable income; general rule.** (a) In this chapter, taxable
 2 income is the taxpayer's federal adjusted gross income for the taxable year

3 (1) plus, if not already included in federal adjusted gross income,

4 (A) interest on obligations of another state, a political
 5 subdivision of another state, the public instrumentality of another state, or the
 6 local authority of another state;

7 (B) a loss on the sale or exchange of an obligation issued by or
 8 on behalf of

9 (i) the state;

10 (ii) a municipality of the state; or

11 (iii) a public instrumentality, public authority, or public
 12 corporation created under state law;

13 (C) a loss from the sale or exchange of shares in a unit
 14 investment trust if the loss is attributable to an obligation issued by or on
 15 behalf of

16 (i) the state;

17 (ii) a municipality of the state; or

18 (iii) a public instrumentality, public authority, or public
 19 corporation created under state law;

20 (D) interest or dividends on obligations or securities issued by
 21 the United States, or an authority, commission, or instrumentality of the United
 22 States, that the Internal Revenue Code exempts from federal income tax;

23 (E) income taxes under this chapter;

24 (F) a gain realized but not recognized under 26 U.S.C. 1031
 25 (Internal Revenue Code);

26 (G) a deduction allowed in the determination of federal
 27 adjusted gross income that is directly or indirectly related to income that is not
 28 taxable under this chapter; and

29 (H) income of an incomplete gift nongrantor trust to which a
 30 taxpayer transferred property, less deductions of the trust, if

31 (i) the income and deductions of the trust would be

1 taken into account in computing the taxpayer's federal taxable income
 2 if the trust in its entirety was treated as a grantor trust under the Internal
 3 Revenue Code;

4 (ii) the trust is a resident trust;

5 (iii) the trust does not qualify as a grantor trust under 26
 6 U.S.C. 671 - 679 (Internal Revenue Code); and

7 (iv) the grantor's transfer of assets to the trust is treated
 8 as an incomplete gift under 26 U.S.C. 2511 (Internal Revenue Code);

9 (2) minus, if included in federal adjusted gross income,

10 (A) interest income or a dividend from an obligation that is
 11 exempt from taxation by a state under federal law;

12 (B) a refund or credit for the overpayment of an income tax;

13 (C) an ordinary and necessary expense, including an interest
 14 expense, paid or incurred during the taxable year, that is directly or indirectly
 15 related to income exempt under the Internal Revenue Code but taxable by the
 16 state;

17 (D) a gain recognized under 26 U.S.C. 1031 (Internal Revenue
 18 Code) that was included in federal adjusted gross income under (1) of this
 19 subsection;

20 (E) income exempt under 4 U.S.C. 114;

21 (F) compensation prohibited from state taxation by 50 U.S.C.
 22 3901 - 4043 (Servicemembers Civil Relief Act);

23 (G) a gain from the sale or exchange of an obligation issued by
 24 or on behalf of

25 (i) the state;

26 (ii) a municipality of the state; or

27 (iii) a public instrumentality, public authority, or public
 28 corporation created under state law;

29 (H) a permanent fund dividend received by the taxpayer or the
 30 taxpayer's dependent under AS 43.23.

31 (b) In addition to the adjustments made to taxable income under (a) of this

1 section, a taxpayer may receive a standard deduction. Subject to adjustment under (d)
 2 of this section, the deduction under this subsection for

3 (1) an individual resident taxpayer is \$12,950;

4 (2) an individual resident who files federal income taxes as a head of
 5 household is \$19,400;

6 (3) two resident taxpayers filing jointly is \$25,900;

7 (4) an individual nonresident is the product of \$12,950 and a fraction,
 8 the numerator of which is the nonresident individual's income taxable under
 9 AS 43.22.045, computed without the deduction under this subsection, and the
 10 denominator of which is the nonresident individual's taxable income computed as if
 11 the nonresident individual were a resident individual and without the deduction under
 12 this subsection; the deduction under this paragraph may not exceed \$12,950 for each
 13 exemption claimed;

14 (5) an individual nonresident who files federal income taxes as a head
 15 of household is the product of \$19,400 and a fraction, the numerator of which is the
 16 nonresident individual's income taxable under AS 43.22.045, computed without the
 17 deduction under this subsection, and the denominator of which is the nonresident
 18 individual's taxable income computed as if the nonresident individual were a resident
 19 individual and without the deduction under this subsection; the deduction under this
 20 paragraph may not exceed \$19,400 for each exemption claimed;

21 (6) two nonresident individuals filing jointly is the product of \$25,900
 22 and a fraction, the numerator of which is the nonresident individuals' income taxable
 23 under AS 43.22.045, computed without the deduction under this subsection, and the
 24 denominator of which is the nonresident individuals' taxable income computed as if
 25 the nonresident individuals were resident individuals and without the deduction under
 26 this subsection; the deduction under this paragraph may not exceed \$25,900 for each
 27 exemption claimed.

28 (c) The deduction under (b) of this section may not

29 (1) be claimed by a trust;

30 (2) reduce a taxpayer's tax liability under this chapter to below zero.

31 (d) Each year, the department shall adjust the amounts of the standard

1 deduction under (b) of this section for inflation. The adjustment for inflation is equal
 2 to the adjustment for inflation calculated for the standard deduction against the federal
 3 income tax as set out in 26 U.S.C. 63.

4 (e) When calculating taxable income, a taxpayer

5 (1) may not carry back a net operating loss under 26 U.S.C.
 6 172(b)(1)(A)(i) (Internal Revenue Code);

7 (2) may carry over a net operating loss under 26 U.S.C.
 8 172(b)(1)(A)(ii) (Internal Revenue Code), except that a loss may not be carried over
 9 for more than five years; for a taxpayer subject to AS 43.19 (Multistate Tax Compact),
 10 the amount of a net operating loss allowed to be carried over is limited to the amount
 11 apportioned to the state in the taxable year in which the loss was generated under
 12 AS 43.19 (Multistate Tax Compact);

13 (3) shall include the modifications required by AS 43.20.144(b)(2),
 14 concerning intangible drilling and development costs, AS 43.20.144(b)(3), concerning
 15 percentage depletion, and AS 43.20.144(b)(4), concerning depreciation.

16 **Sec. 43.22.035. Taxable income from partnerships and S corporations.** (a)

17 A partner or shareholder shall make an adjustment described in AS 43.22.030 to
 18 income or a gain, loss, or deduction from a partnership or S corporation in proportion
 19 to a partner's distributive share of a partnership or a shareholder's pro rata share of an
 20 S corporation. If a partner's distributive share or a shareholder's pro rata share of an
 21 adjustment is not required to be accounted for separately for federal income tax
 22 purposes, the partner's or shareholder's share of the adjustment must be determined in
 23 proportion to the partner's or shareholder's share of partnership or S corporation
 24 income or losses for federal income tax purposes.

25 (b) In determining taxable income, a partner or shareholder shall treat income
 26 or a gain, loss, or deduction from a partnership or S corporation as if it has the same
 27 character as it does for federal income tax purposes. If income or a gain, loss, or
 28 deduction from a partnership or S corporation is not accounted for separately for
 29 federal income tax purposes, a partner or shareholder shall treat the income, gain, loss,
 30 or deduction as if it were realized directly from the source from which it was realized
 31 by the partnership or S corporation or incurred in the same manner it was incurred by

1 the partnership or S corporation.

2 (c) If the principal purpose of a special allocation of partnership income or a
3 gain, loss, or deduction is the evasion of tax under this chapter, the partner's
4 distributive share is determined as if the partnership agreement did not have the
5 special allocation. In this subsection, "special allocation" means an allocation of the
6 distributive share of partnership income or a gain, loss, or deduction made under the
7 partnership agreement to a partner in a proportion different than the partner's
8 partnership interest.

9 **Sec. 43.22.040. Taxable income of an estate, trust, or beneficiary.** (a) The
10 taxable income of an estate or trust is determined as if the estate or trust were an
11 individual and is subject to adjustments under AS 43.22.030 and reduction under 26
12 U.S.C. 661 (Internal Revenue Code). The department may establish in regulation the
13 method for determining the taxable income of an estate or trust, including the manner
14 in which the adjustments under AS 43.22.030 will be allocated between the estate's or
15 trust's taxable share and a beneficiary's distributive share. Unless otherwise provided
16 by the department in regulation, an allocation must be made in proportion to the
17 estate's or trust's taxable share or the beneficiary's distributive share of the trust or
18 estate for federal income tax purposes.

19 (b) If the principal purpose of a provision of an instrument directing the
20 distribution of income or a gain, loss, or deduction of an estate or trust is the evasion
21 of tax under this chapter, the taxable income of the estate, trust, or beneficiary will be
22 determined as if the instrument did not contain the provision.

23 **Sec. 43.22.045. Nonresident individuals; income derived from or**
24 **connected with a source in the state.** (a) The taxable income of a nonresident
25 individual is the nonresident individual's income derived from or connected with a
26 source in the state, as adjusted under AS 43.22.030. The taxable income of a
27 nonresident individual includes

28 (1) a partner's distributive share of income or a gain, loss, or deduction
29 of the partnership, as determined under AS 43.22.050;

30 (2) a shareholder's pro rata share of an S corporation's income or loss,
31 increased by the reductions for taxes described in 26 U.S.C. 1366(f)(2) and (3)

1 (Internal Revenue Code), as determined under AS 43.22.050;

2 (3) income or loss of a business conducted by a nonresident individual,
3 nonresident estate, or nonresident trust, other than income or loss from a partnership or
4 S corporation, as determined under AS 43.22.050;

5 (4) estate or trust income or a gain, loss, or deduction of the estate or
6 trust, as determined under AS 43.22.055;

7 (5) income or a gain, loss, or deduction from the sale or assignment of
8 a beneficial interest, or other disposition of an interest in tangible personal property in
9 the state, or rental income or loss from the use of tangible personal property in the
10 state; if the income, gain, loss, or deduction is from tangible personal property used or
11 employed both in and outside the state, the amount included in taxable income is
12 determined by multiplying the income, gain, loss, or deduction by a fraction, the
13 numerator of which is the number of days during which the property was used or
14 employed to earn, accrue, or incur the income, gain, loss, or deduction in the state and
15 the denominator of which is the total number of days during the taxable year that the
16 property was used or employed to earn, accrue, or incur the income, gain, loss, or
17 deduction;

18 (6) income or a gain, loss, or deduction from the sale, assignment, or
19 other disposition of an interest in real property in the state, or rental income or loss
20 from the use of real property in the state, including the percentage of ordinary and
21 capital gains received from a real estate investment trust, as defined in 26 U.S.C. 856
22 (Internal Revenue Code), that is attributable to rents from or sale or other disposition
23 of real property located in the state; in this paragraph, income or a gain, loss, or
24 deduction from the sale, assignment of a beneficial interest, or other disposition of real
25 property in the state includes income or a gain, loss, or deduction derived from the sale
26 or assignment of a beneficial interest in a partnership, S corporation, nonpublicly
27 traded C corporation with 100 or fewer shareholders, estate, or trust, if the entity owns
28 real property in the state that has a fair market value equal to or exceeding 50 percent
29 of all assets of the entity on the date of sale, assignment, or other disposition of the
30 taxpayer's interest in the entity; for purposes of this paragraph,

31 (A) only assets owned for at least two years before the date of

1 the sale, assignment, or other disposition of an interest in the entity shall be
 2 used to determine the fair market value of all of the assets of the entity on the
 3 date of sale, assignment, or other disposition; and

4 (B) the amount of income or a gain, loss, or deduction derived
 5 from or connected with a source in the state from the sale, assignment, or other
 6 disposition of an interest in an entity that is subject to the provisions of this
 7 paragraph is the amount recognized for federal income tax purposes related to
 8 the sale, assignment, or disposition, multiplied by a fraction, the numerator of
 9 which is the fair market value of the real property located in the state on the
 10 date of sale, assignment, or disposition and the denominator of which is the fair
 11 market value of all of the assets of the entity on the date of the sale,
 12 assignment, or disposition;

13 (7) compensation, salary, or wages for personal services rendered or
 14 performed in the state that are derived from a business, trade, profession, occupation,
 15 or employment carried on in the state; for purposes of this paragraph, personal
 16 services

17 (A) except as otherwise provided in (B) of this paragraph,
 18 include services performed

19 (i) in connection with presenting or receiving
 20 employment-related training or education in the state;

21 (ii) in connection with a site inspection, review,
 22 analysis, or management or any other supervision of a facility located
 23 in the state;

24 (iii) in connection with research and development at a
 25 facility located in the state or in connection with the installation of new
 26 or upgraded equipment or systems at that facility;

27 (iv) as part of a project team working on the attraction
 28 or implementation of new investment in a facility located or planned to
 29 be located in the state;

30 (v) in connection with fishing, farming, or agriculture in
 31 the state; or

1 (vi) for the federal government;

2 (B) do not include services that are casual, isolated,
3 inconsequential, or ancillary to out-of-state services;

4 (8) income derived from a business, trade, profession, occupation, or
5 employment carried on in the state, including income

6 (A) received under a covenant not to compete, a severance
7 agreement, a termination agreement, or unemployment compensation
8 insurance attributable to a business, trade, profession, occupation, or
9 employment previously carried on in the state, regardless of when received;

10 (B) derived from a business, trade, profession, occupation, or
11 employment carried on in the state by an individual who maintains or operates
12 an office, shop, store, warehouse, boat, plane, factory, agency, or other place
13 where the individual's affairs are systematically and regularly carried on,
14 regardless of other transactions carried on outside the state; this subparagraph
15 does not include income from an activity of an individual whose presence in
16 the state is casual, isolated, inconsequential, or ancillary to out-of-state
17 activities, except that, if a business, trade, profession, occupation, or
18 employment is carried on partly in and partly outside the state, other than for
19 the rendering of purely personal services by the individual, the taxable income
20 derived from or connected with a source in the state is determined under
21 AS 43.19 (Multistate Tax Compact) and AS 43.22.030;

22 (9) income from the management or investment function or activities
23 conducted in the state from intangible property;

24 (10) dividends, interest, payments received under an annuity, gains, or
25 other intangible income received from, or attributable to, intangible personal property,
26 including stock, bonds, notes, bank deposits, or annuities, if the intangible personal
27 property is employed in a business, trade, profession, occupation, or employment
28 carried on in the state;

29 (11) a gain derived from a statutory stock option, restricted stock,
30 nonstatutory stock option, or stock appreciation right by a nonresident individual who,
31 at the time the gain is received, performs services in the state for or is employed in the

1 state by the corporation granting the option, stock, or right, as determined in
2 regulations adopted by the department;

3 (12) income from nonqualified deferred compensation plans
4 attributable to services performed in the state, including compensation included in
5 federal gross income under 26 U.S.C. 457A (Internal Revenue Code);

6 (13) proceeds from a gambling activity conducted in the state or lottery
7 tickets purchased in the state, including payments received from a third party for the
8 transfer of the rights to future proceeds related to a gambling activity in the state or
9 lottery tickets purchased in the state;

10 (14) for an S corporation that terminates its taxable status in the state
11 during the tax year, income or a gain recognized on the receipt of payments from an
12 installment sale contract entered into at the time the S corporation was subject to tax in
13 the state, allocated in a manner consistent with the applicable methods and rules under
14 this chapter;

15 (15) royalties or other compensation received for the use of a patent,
16 copyright, secret process or formula, good will, mark, trade brand, franchise, or other
17 property having a taxable or business situs in the state;

18 (16) royalties or other compensation received for the use of a patent if
19 the patent is employed in production, fabrication, manufacturing, or other process in
20 the state;

21 (17) income or a gain from the disposition of an asset if the
22 acquisition, management, or disposition of the asset constitutes an integral part of the
23 nonresident individual's regular trade or business operation;

24 (18) income from the transmission, broadcast, distribution, or
25 dissemination of a service directly or indirectly attributable to the performance in the
26 state of an athlete, entertainer, singer, musician, dancer, comedian, magician,
27 performing artist, actor, actress, or similar person, including syndication fees.

28 (b) A deduction included in taxable income that results from a capital loss,
29 passive activity loss, or net operating loss must be based solely on income or a gain,
30 loss, or deduction derived from or connected with a source in the state. A nonresident
31 individual shall treat a deduction under this subsection in the same manner as the

1 corresponding federal deduction, unless the department requires otherwise in
2 regulation.

3 **Sec. 43.22.050. Business conducted by a nonresident individual, trust, or**
4 **estate; income derived from or connected with a source in the state.** (a) The
5 department shall adopt regulations governing the amount of income or the amount of a
6 gain, loss, or deduction from a business conducted by a nonresident individual, trust,
7 or estate that is derived from or connected with a source in the state for purposes of
8 determining taxable income. Regulations adopted under this subsection must be
9 consistent with AS 43.19 (Multistate Tax Compact) and AS 43.22.045 and include
10 adjustments under AS 43.22.030.

11 (b) The department shall adopt regulations governing the amount of income or
12 the amount of a gain, loss, or deduction that is derived from or connected with a
13 source in the state and is included in a nonresident

14 (1) partner's distributive share for purposes of taxation under this
15 chapter;

16 (2) shareholder's pro-rata share of an S corporation for purposes of
17 taxation under this chapter.

18 (c) The department may by regulation require a taxpayer to allocate rather
19 than apportion income or a gain, loss, or deduction under this section.

20 **Sec. 43.22.055. Nonresident trust, estate, or beneficiary; income derived**
21 **from or connected with a source in the state.** (a) The department shall adopt
22 regulations governing whether income or a gain, loss, or deduction of a nonresident
23 estate or nonresident trust is included in taxable income derived from or connected
24 with a source in the state. Regulations adopted under this subsection must be
25 consistent with the remainder of this section and AS 43.22.045.

26 (b) A nonresident beneficiary shall include in taxable income derived from or
27 connected with a source in the state a distribution from an estate or trust as if the
28 nonresident beneficiary earned or incurred the income or a gain, loss, or deduction
29 attributable to the distribution directly from the source. For purposes of this
30 subsection, the department may establish one or more methods for a nonresident
31 beneficiary to determine whether income or a gain, loss, or deduction is attributable to

1 a distribution. The department shall consistently apply a method from year to year and
 2 apply the same method to other nonresident beneficiaries of the same trust or estate.
 3 Nothing in this subsection requires the department to give effect to a provision of an
 4 instrument creating an estate or trust if the department reasonably believes that the
 5 principal purpose of the provision is to evade the tax imposed under this chapter.

6 **Sec. 43.22.060. Part-year resident individual, trust, or estate; residency**
 7 **income; income derived from or connected with a source in the state.** (a) Except as
 8 otherwise provided in this section, the taxable income of a part-year resident
 9 individual, trust, or estate is the sum of

10 (1) the taxable income of the part-year resident individual, trust, or
 11 estate during the period of residency; and

12 (2) the taxable income derived from or connected with a source in the
 13 state for the period of nonresidency of the individual, trust, or estate.

14 (b) The department shall adopt regulations to determine the taxable income of
 15 a part-year resident taxpayer who is granted a statutory stock option, restricted stock,
 16 nonstatutory stock option, or a stock appreciation right and who, during the grant
 17 period, performs services in the state for, or is employed in the state by, the
 18 corporation granting the option, stock, or right.

19 **Sec. 43.22.065. Personal service corporations and S corporations formed**
 20 **or used to evade income tax.** (a) The department may allocate all income,
 21 deductions, credits, exclusions, and other allowances between a personal service
 22 corporation or S corporation and its employee-owners if the

23 (1) personal service corporation or S corporation performs
 24 substantially all of its services for or on behalf of another corporation, partnership, or
 25 other entity and the effect is the evasion of income tax; and

26 (2) allocation is necessary to reflect the source and amount of the
 27 income, regardless of whether the corporation is otherwise taxable.

28 (b) For purposes of this section, evasion of income tax occurs when a personal
 29 service corporation or S corporation is used to

30 (1) reduce the taxable income of a resident or the taxable income of a
 31 nonresident derived from or connected with a source in the state; or

(2) secure the benefit of an expense, deduction, credit, exclusion, or other allowance for any employee-owner that would not otherwise apply under this chapter.

(c) The constructive ownership of stock rules under 26 U.S.C. 318 (Internal Revenue Code) apply to this section, except that "5 percent" shall be substituted for "50 percent" in 26 U.S.C. 318(a)(2)(C) (Internal Revenue Code).

(d) In this section, all persons specified in 26 U.S.C. 267(b) (Internal Revenue Code) shall be treated as one entity.

(e) In this section,

(1) "employee-owner" means any employee who owns, on any day during the taxable year, more than 10 percent of the outstanding stock of a personal service corporation or S corporation;

(2) "personal service corporation" means a corporation whose principal activity is the performance of personal services that are substantially performed by the employee-owners of the corporation.

Sec. 43.22.070. Determination of taxable year and method of accounting.

(a) For purposes of the tax imposed under this chapter, a taxpayer's

(1) taxable year is the same as the taxpayer's taxable year for federal income tax purposes; and

(2) method of accounting is the same as the taxpayer's method of accounting for federal income tax purposes.

(b) The department shall adopt regulations to determine the taxable income of a taxpayer whose method of accounting changes during a taxable year or between taxable years.

Sec. 43.22.075. Returns and payment of taxes. (a) A taxpayer shall file with

the department a return setting out

(1) the amount of tax due under this chapter; and

(2) other information necessary to carry out this chapter, as required by the department in regulation.

(b) A person required to file a return under this chapter shall file the return on a form or in a format prescribed by the department. The return is due to the department

1 at the same time and in the same manner, including extensions, as the taxpayer's
2 federal income tax return to the United States Internal Revenue Service. A return filed
3 under this chapter must be made under oath and on penalty of perjury.

4 (c) The total amount of tax imposed by this chapter is due and payable to the
5 department at the same time and in the same manner as the federal individual income
6 tax payable to the United States Internal Revenue Service.

7 (d) A taxpayer, upon request by the department, shall furnish to the
8 department a true and correct copy of a return that the taxpayer has filed with the
9 United States Internal Revenue Service.

10 (e) A taxpayer shall notify the department in writing of an alteration in, or
11 modification of, the taxpayer's federal income tax return and of a recomputation of tax
12 or determination of deficiency, whether with or without assessment. A full statement
13 of the facts must accompany the notice. A taxpayer shall file the notice not later than
14 60 days after the final determination of the alteration, modification, recomputation, or
15 deficiency and shall pay any additional tax due under this chapter at that time. In this
16 subsection, "final determination" means the time that an amended federal return is
17 filed, a notice of deficiency or an assessment is mailed to the taxpayer by the Internal
18 Revenue Service, and the taxpayer has exhausted rights of appeal under federal law.

19 (f) The department may credit or refund overpayments of taxes, taxes
20 erroneously or illegally assessed or collected, penalties collected without authority,
21 and taxes that are found unjustly assessed or excessive in amount, or otherwise
22 wrongfully collected. The department shall, in regulation, set limitations, specify the
23 manner in which claims for credits or refunds are made, and give notice of allowance
24 or disallowance. When a refund is allowed to a taxpayer, the refund may be paid out
25 of the general fund on a warrant issued under a voucher approved by the department.

26 (g) A partnership, S corporation, estate, or trust shall provide to its partners,
27 beneficiaries, or shareholders, and to the department, all information necessary for its
28 partners, beneficiaries, and shareholders to comply with this chapter.

29 (h) An individual is not required to file a return under this section
30 electronically, but a person employed to prepare and file an income tax return for an
31 individual shall file the return for that individual electronically.

(i) The department shall adopt regulations that set out requirements for a spouse, upon request, to be partially or fully relieved from joint and several liability resulting from the joint filing of a tax return.

Sec. 43.22.080. Tax withholding on wages of individuals. (a) Every employer making payment of wages or salaries

(1) shall deduct and withhold an amount of tax computed in a manner to approximate the amount of tax due on those wages and salaries under this chapter for that taxable year;

(2) shall remit the tax withheld to the department accompanied by a return on a form prescribed by the department at the times required by the department by regulation;

(3) is liable for the payment of the tax required to be deducted and withheld under this section but is not liable to any individual for the amount of the payment; and

(4) shall furnish to an employee on or before January 31 of the succeeding year, or within 30 days after a request by the employee after an employee's or individual's termination if the 30-day period ends before January 31, a written statement on a form prescribed by the department showing

(A) the name and taxpayer identification number of the employer;

(B) the name and social security number of the employee;

(C) the total amount of wages and salary for the taxable year; and

(D) the total amount deducted and withheld as tax under this chapter for the taxable year.

(b) The department shall publish the rate of withholding required by this section.

Sec. 43.22.085. Withholding on nonresident partners; composite returns.

(a) Unless otherwise provided by this section, a partnership that is required to file an annual information return under subchapter K of the Internal Revenue Code (26 U.S.C. 701 - 761) shall file a partnership return as prescribed by the department and

1 shall report any income, gains, losses, or deductions that are derived from or
2 connected with a source in the state, as determined under this chapter.

3 (b) A partnership that is required to file a return under (a) of this section shall
4 withhold income tax from a nonresident partner's distributive share of the partnership's
5 income or a gain, loss, or deduction derived from or connected with a source in the
6 state at the highest marginal income tax rate applicable to individuals for the taxable
7 year.

8 (c) Withholding under this section is not required by a partnership that

9 (1) is a publicly traded partnership, as defined in 26 U.S.C. 7704(b)
10 (Internal Revenue Code); and

11 (2) files with the department an annual information return reporting the
12 name, address, taxpayer identification number, and other information requested by the
13 department concerning each unitholder whose distributive share of partnership
14 income, regardless of source, is more than \$1,000.

15 (d) The department shall adopt regulations that allow a partnership subject to
16 withholding under this section to file a composite return.

17 **Sec. 43.22.090. Permanent fund tax payment.** The department shall adopt
18 regulations establishing procedures for an individual eligible for a dividend under
19 AS 43.23.005 to direct the department to hold all or a part of the amount of the
20 dividend to pay the tax due under this chapter. The amount held under this section
21 may not exceed the dividend amount after contributions, garnishments, levies, fees,
22 attachments, assignments, or other reductions or donations allowed under AS 43.23.
23 The department shall apply the amount held under this section to tax owed in the
24 taxable year in which the taxpayer applies for the dividend. The department shall
25 refund the amount of the dividend not applied against taxes under this section to the
26 individual who appears on the application for the dividend.

27 **Sec. 43.22.095. Administration.** (a) The department shall adopt necessary
28 regulations and forms to implement and interpret this chapter, including regulations
29 and forms for the electronic filing and payment of tax due under this chapter. Federal
30 regulations issued under the Internal Revenue Code shall be considered persuasive
31 authority in interpreting any provision of the Internal Revenue Code on which the tax

1 imposed by this chapter relies, whether or not a federal regulation has been
2 specifically incorporated into a department regulation, unless the federal regulation

3 (1) conflicts with a provision of this chapter;

4 (2) conflicts with a regulation adopted by the department; or

5 (3) is inconsistent with the purposes of this chapter.

6 (b) A transaction or payment between related persons must have economic
7 substance, must serve a bona fide business purpose, and must not have occurred for
8 the primary purpose of lowering the tax due under this chapter. The department, after
9 review or audit of a taxpayer's return, may determine whether there is sufficient
10 documentation or whether a transaction or payment meets the requirements of this
11 subsection. If the department determines that the documentation, transaction, or
12 payment fails to meet the requirements of this subsection, the department may adjust
13 the amount of a payment or transaction, disregard the payment or transaction, or make
14 another adjustment necessary for determining the tax under this chapter. If a payment
15 in an amount greater than \$500,000 is made or required to be made from one person to
16 a related person, the related persons shall submit documentation substantiating that the
17 amount of the payment is consistent with 26 U.S.C. 482 (Internal Revenue Code).
18 Payments subject to this subsection include payments for interest, royalties,
19 management fees, services, inventory, tangible personal property, intangible property,
20 and real property.

21 (c) A tax deficiency assessed by the department under this section is assumed
22 to be correct. A taxpayer has the burden of proving that the tax deficiency is
23 erroneous.

24 (d) The department shall adjust the amount of the exemption under
25 AS 43.22.030(b) annually for inflation. Adjustments must be consistent with inflation
26 adjustments made by the Internal Revenue Service to the federal individual income tax
27 standard deduction. The department shall round amounts under this subsection to the
28 nearest \$100 and publish the adjusted amounts.

29 (e) The tax collected by the department under this chapter shall be deposited
30 into the general fund and accounted for separately.

31 **Sec. 43.22.100. References to Internal Revenue Code.** (a) Sections 26 U.S.C.

6654, 6662, 6664, 6694, 6695, 6700 - 6702, 6707, 6713, 7201, 7202, 7206, 7207, 7216, 7407, and 7408 (Internal Revenue Code), as those sections read on January 1, 2022, are incorporated by reference as a part of this chapter and, if conflicting, supersede provisions in AS 43.05 and AS 43.10.

(b) When provisions of the Internal Revenue Code incorporated by reference under (a) of this section refer to rules and regulations adopted by the United States Commissioner of Internal Revenue, they are regarded as regulations adopted by the department under this chapter, unless the department adopts specific regulations in their place.

Sec. 43.22.105. Information released to a banking institution.

Notwithstanding AS 43.05.230, information on an individual income tax return may be released to a banking institution to verify the direct deposit of an income tax refund or correct an error in that deposit.

Sec. 43.22.150. Definitions. In this chapter,

(1) "domicile" means an individual's true, fixed, principal, and permanent home, to which the individual intends to return even if currently living elsewhere; if an individual has two or more homes, "domicile" means the home that the individual regards and uses as the individual's more permanent home; once established, a domicile remains the individual's domicile until the individual demonstrates a real change of intent and moves to a new domicile; indications of domicile include the

(A) location of the place of employment of the individual;

(B) location of real property owned by the individual;

(C) registration and physical location of motor vehicles, planes, boats, and snow machines owned by the individual;

(D) location of a bank account or active checking account of the individual;

(E) address where the individual receives mail;

(F) location of a school where the individual or a member of the individual's immediate family

(i) attends; or

- 1 (ii) receives resident tuition;
- 2 (G) location of an organization of which the individual is a
- 3 member;
- 4 (H) location of a parent, child, grandchild, or great-grandchild;
- 5 (I) location of dental and medical personnel that provide
- 6 services to the individual on a regular or consistent basis;
- 7 (J) filing of a prior year tax return by the individual as a
- 8 resident or nonresident;
- 9 (K) location where an individual is registered to vote;
- 10 (L) location where an individual holds a resident fishing,
- 11 hunting, or trapping license;
- 12 (2) "federal adjusted gross income" has the meaning given to "adjusted
- 13 gross income" in 26 U.S.C. 62;
- 14 (3) "fiduciary" means a guardian, trustee, executor, administrator,
- 15 receiver, or conservator or a person, whether individual or corporate, acting in a
- 16 similar position of special confidence toward another;
- 17 (4) "head of household" means a single taxpayer, or married taxpayer
- 18 where both spouses file separate returns, with a qualified dependent living in the same
- 19 home for more than half the taxable year;
- 20 (5) "Internal Revenue Code" means the Internal Revenue Code (26
- 21 U.S.C. 1 et seq.), as amended;
- 22 (6) "irrevocable trust" means a trust or portion of a trust that is not
- 23 subject to a power to revest title in a person whose property constitutes the trust or a
- 24 portion of the trust;
- 25 (7) "nonresident estate" means an estate other than a resident estate or
- 26 part-year resident estate;
- 27 (8) "nonresident individual" means an individual who is not a resident
- 28 of the state for any portion of the taxable year;
- 29 (9) "nonresident trust" means a trust other than a resident trust or part-
- 30 year resident trust;
- 31 (10) "partner" means a partner as defined in 26 U.S.C. 7701(a)

1 (Internal Revenue Code) and includes a member of a limited liability company or
 2 similar entity that is treated as a partnership for federal income tax purposes;

3 (11) "partnership" means an entity as defined in 26 U.S.C. 7701(a)
 4 (Internal Revenue Code) and includes a limited liability company and a similar entity
 5 treated as a partnership for federal income tax purposes;

6 (12) "part-year resident estate" means an estate that is a resident of the
 7 state for a portion of but not the entire taxable year;

8 (13) "part-year resident individual" means an individual who is a
 9 resident of the state for a portion of but not the entire taxable year;

10 (14) "part-year resident trust" means a trust that is a resident of the
 11 state for a portion of but not the entire taxable year;

12 (15) "related person" means a person that satisfies the definition of
 13 "related persons" in 26 U.S.C. 144 or 147 or a person in a relationship as described in
 14 26 U.S.C. 267(b) (Internal Revenue Code);

15 (16) "resident estate" means the estate of a

16 (A) decedent who at the time of death was a resident of the
 17 state, regardless of the residence of the fiduciary or beneficiary, if the
 18 disposition or administration of the estate is subject to state law; or

19 (B) person who, at the time of commencement of a bankruptcy
 20 proceeding under Title 11 of the United States Code, was a resident of the
 21 state;

22 (17) "resident individual" means an individual who

23 (A) receives a permanent fund dividend under AS 43.23.005;

24 (B) receives a tax benefit available only to an individual
 25 domiciled in the state; or

26 (C) is domiciled in the state for the entire taxable year unless
 27 the individual maintains a permanent place of abode outside the state and
 28 spends, in the aggregate, not more than 30 days during the taxable year in the
 29 state;

30 (18) "resident trust" means a trust or a portion of a trust consisting of
 31 property

1 (A) transferred by will of a decedent who at the time of death
 2 was a resident of the state if the disposition or administration of the property is
 3 subject to state law; or

4 (B) of a person who was a resident at the time the property was
 5 transferred to the trust if, at the time of the transfer, the trust was

6 (i) an irrevocable trust;

7 (ii) a revocable trust and the trust has not become
 8 irrevocable; or

9 (iii) a revocable trust and the trust later became
 10 irrevocable at a time the person transferring property to the trust was a
 11 resident;

12 (19) "revocable trust" means a trust or portion of a trust that is subject
 13 to a power, exercisable immediately or at a future time, to revest title in a person
 14 whose property constitutes the trust or portion of the trust;

15 (20) "S corporation" means a corporation that has elected to file a
 16 federal income tax return under 26 U.S.C. 1361 - 1379 (Internal Revenue Code);

17 (21) "taxable income" means income taxable under this chapter;

18 (22) "taxable year" means the calendar year or a fiscal year ending
 19 during the calendar year;

20 (23) "taxpayer" means a person subject to a tax imposed by this
 21 chapter.

22 * **Sec. 10.** AS 43.23.025(a) is amended to read:

23 (a) By October 1 of each year, the commissioner shall determine the value of
 24 each permanent fund dividend for that year by

25 (1) determining the total amount available for dividend payments,
 26 which equals

27 (A) the amount of income of the Alaska permanent fund
 28 appropriated [TRANSFERRED] to the dividend fund [UNDER
 29 AS 37.13.145(b)] during the current year;

30 (B) plus the unexpended and unobligated balances of prior
 31 fiscal year appropriations that lapse into the dividend fund under

AS 43.23.045(d);

(C) less the amount necessary to pay prior year dividends from the dividend fund in the current year under AS 43.23.005(h), 43.23.021, and 43.23.055(3) and (7);

(D) less the amount necessary to pay dividends from the dividend fund due to eligible applicants who, as determined by the department, filed for a previous year's dividend by the filing deadline but who were not included in a previous year's dividend computation;

(E) less appropriations from the dividend fund during the current year, including amounts to pay costs of administering the dividend program and the hold harmless provisions of AS 43.23.240;

(2) determining the number of individuals eligible to receive a dividend payment for the current year and the number of estates and successors eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

(3) dividing the amount determined under (1) of this subsection by the amount determined under (2) of this subsection.

* **Sec. 11.** AS 43.23.028(a) is amended to read:

(a) By October 1 of each year, the commissioner shall give public notice of the value of each permanent fund dividend for that year and notice of the information required to be disclosed under (3) of this subsection. In addition, the stub attached to each individual dividend disbursement advice must

(1) disclose the amount of each dividend attributable to **legislative appropriations** [INCOME EARNED BY THE PERMANENT FUND FROM DEPOSITS TO THAT FUND REQUIRED UNDER ART. IX, SEC. 15, CONSTITUTION OF THE STATE OF ALASKA];

(2) [DISCLOSE THE AMOUNT OF EACH DIVIDEND ATTRIBUTABLE TO INCOME EARNED BY THE PERMANENT FUND FROM APPROPRIATIONS TO THAT FUND AND FROM AMOUNTS ADDED TO THAT FUND TO OFFSET THE EFFECTS OF INFLATION];

(3)] disclose the amount by which each dividend has been reduced due to each appropriation from the dividend fund, including amounts to pay the costs of

administering the dividend program and the hold harmless provisions of AS 43.23.240;

(3) [(4)] include a statement that an individual is not eligible for a dividend when

(A) during the qualifying year, the individual was convicted of a felony;

(B) during all or part of the qualifying year, the individual was incarcerated as a result of the conviction of a

(i) felony; or

(ii) misdemeanor if the individual has been convicted of a prior felony or two or more prior misdemeanors;

(4) [(5)] include a statement that the legislative purpose for making individuals listed under (3) [(4)] of this subsection ineligible is to

(A) provide funds for services for and payments to crime victims and operating costs of the Violent Crimes Compensation Board;

(B) provide funds to pay restitution owed to crime victims;

(C) provide funds for grants to nonprofit organizations for services for crime victims and for mental health services and substance abuse treatment for offenders;

(D) provide funds for the office of victims' rights;

(E) provide funds to the Council on Domestic Violence and Sexual Assault for grants for the operation of domestic violence and sexual assault programs; and

(F) obtain reimbursement for some of the costs imposed on the Department of Corrections related to incarceration or probation of those individuals;

(5) [(6)] disclose the total amount that would have been paid during the previous fiscal year to individuals who were ineligible to receive dividends under AS 43.23.005(d) if they had been eligible;

(6) [(7)] disclose the total amount transferred or appropriated for the current fiscal year under AS 43.23.048 for each of the accounts, funds, and agencies

1 listed in AS 43.23.048.

2 * **Sec. 12.** AS 43.23.045 is amended by adding a new subsection to read:

3 (f) Each fiscal year, the legislature may appropriate to the dividend fund an
4 amount equal to 30 percent of all mineral lease rentals, royalties, royalty sale
5 proceeds, bonuses, net profit shares under AS 38.05.180(f) and (g), and federal
6 mineral revenue sharing payments received by the state during that fiscal year.

7 * **Sec. 13.** AS 43.23 is amended by adding a new section to read:

8 **Sec. 43.23.092. Permanent fund dividend individual income tax payment.**

9 In accordance with AS 43.22.090, the department shall prepare the Alaska permanent
10 fund dividend application to allow an applicant to direct the department to hold all or
11 part of the amount of the individual's permanent fund dividend for application against
12 the individual income tax imposed under AS 43.22.

13 * **Sec. 14.** AS 37.13.140(a), 37.13.145(d), 37.13.145(e), and 37.13.145(f) are repealed
14 July 1, 2022.

15 * **Sec. 15.** AS 43.05.085; AS 43.20.012(b), and 43.20.013 are repealed January 1, 2024.

16 * **Sec. 16.** Section 28, ch. 134, SLA 1992, is repealed.

17 * **Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 APPLICABILITY. AS 43.22, added by sec. 9 of this Act, applies to income received
20 on or after the effective date of sec. 9 of this Act.

21 * **Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to
22 read:

23 TRANSITION: REGULATIONS. The Department of Revenue may adopt regulations
24 necessary to implement this Act. The regulations take effect under AS 44.62 (Administrative
25 Procedure Act), but not before the effective date of the law implemented by the regulation.

26 * **Sec. 19.** Section 17 of this Act takes effect immediately under AS 01.10.070(c).

27 * **Sec. 20.** Sections 1 - 7, 10 - 12, 14, and 16 of this Act take effect July 1, 2022.

28 * **Sec. 21.** Except as provided in secs. 19 and 20 of this Act, this Act takes effect January 1,
29 2024.